

A MODERNIZED INTERNAL REVENUE SERVICE

Commissioner of Internal Revenue Charles O. Rossotti has developed a concept of a modernized American tax agency that will deliver significantly improved service to American taxpayers.

The modern Internal Revenue Service will focus on the taxpayer's understanding and solving problems from the taxpayer's point of view. The new mission for the agency should be to help people comply with the law and ensure fairness of compliance.

The modernized IRS will be guided by five principles:

- Understand and solve problems from the taxpayer's point of view
- Expect managers to be accountable
- Use balanced measures of performance
- Foster open, honest communications
- Insist on total integrity

The goals of the modernized IRS will reflect the new focus on taxpayers as customers. The goals will be:

Service to each taxpayer. The IRS will continue to make filing easier and provide first quality service to every taxpayer needing help. Taxpayers who may owe additional taxes or cannot pay what they owe will receive prompt, professional, helpful treatment.

Service to all taxpayers. The IRS will serve the American taxpaying public by increasing overall compliance and by increasing the fairness of compliance programs.

Productivity through a quality work environment. The IRS will increase employee job satisfaction and hold agency employment stable while the economy grows and service improves.

Achieving this modernized IRS will require significant changes in five separate areas:

Revamped business practices. Business practices will be geared toward understanding, solving and preventing taxpayer problems. Much greater emphasis will be placed on customer education and service. Compliance efforts will be forward looking to prevent most common taxpayer problems and will be geared toward early intervention to keep taxpayers compliant. Compliance tools will be reserved for only those who refuse to comply and will be used more sparingly.

Four Operating Units. Much of the current national office and regional office structures will be realigned to form management teams, each with end-to-end responsibility for serving a group of taxpayers with like needs. The four groups are:

- Individual taxpayers with wage and investment income
- Small business and self-employed taxpayers
- Large business taxpayers
- Employee Plans/Exempt Organizations and state and local governments

Each organizational unit will have a tailored set of services to meet the needs of the taxpayers served by that unit. This organizational model, based on similar models in private industry, provides for fewer managerial layers and clear lines of responsibility. Currently, IRS managers are often responsible for administering the entire Internal Revenue Code across the full spectrum of taxpaying customers. Managers in the new business units will be able to focus on the specific needs of the taxpayers they serve.

Balanced measures of performance. Current IRS performance measures are oriented toward IRS internal operations and fail to account for the taxpayers' viewpoint and satisfaction. The new measures will be externally validated and will entail a balanced scorecard tied to the agency's goals. The new measures will take into account:

- Overall compliance by major taxpayer segment
- Customer satisfaction
- Employee satisfaction
- Continuous improvement

Management roles with clear responsibility. By organizing around taxpayers with similar needs and issues, the management team for each of the four operating business units will be able to learn a great deal about the particular needs and problems affecting that group and be responsible for resolving those problems. The number of management layers in these new units will be fewer than the current levels of management, facilitating the implementation of new ideas, solutions, and better communications.

New technology. To support this business approach, the IRS is committed to move forward on upgrading and improving its technology through central, professional management, the establishment of common standards, and partnerships between the business units, the information technology professionals and outside contractors.

The IRS plans to initiate a study to validate the concept for modernization and to plan for the implementation of the final plan. The study will involve extensive consultation with those involved with tax administration in this country both inside and outside the Internal Revenue Service. The IRS hopes to have this study phase done by this summer.

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